

Reflection 4. Understand Your Customers

It is important to restate the obvious. Anyone developing financial services, bank, SACCO, microfinance institution or fintech, needs to understand their existing and potential customers. This understanding builds better products, better relationships with customers, and insights vital for sales and marketing. A few examples, I've been part of, speak volumes. The examples have been chosen for their impact on individual institutions, on their customers, or on the financial system.

- M-Pesa: M-Pesa was launched after an eighteen-month pilot test. During this pilot test key insights were gained into user interfaces and user experience (now immortalised as UI/UX), and into the sales proposition "Send Money Home", which would now be called a "Use Case". This understanding enabled M-Pesa to ensure usability for customers, and a launch proposition which was deeply embedded in Kenyan demographics. M-Pesa's success needs no elaboration.
- Home Improvement Loan: Centenary Bank took a significant step in 2004 with the pilot testing and launch of the Home Improvement Loan. The loan was based around loans for home improvements which were 'secured' against Kibanja land titles. Kibanja is a land title recognised by tribal chiefs, but more difficult to enforce in a court of law. Once tested and launched the product was hugely successful. It proved to the Ugandan financial sector that Kibanja titles could be used selectively for security.
- Mwananchi Account: Family Bank launched the Mwananchi Account. A savings account replacing and improving other savings accounts, a simpler, better value, easier to market account. A key component was repricing fees around the account. Deposit liabilities quickly doubled. Profits increased.
- Moving from Monthly Fees: After client research in November 2001, Equity Building Society abolished monthly fees on its accounts, abolished extraneous fees and charges, and moved to a transaction fee model in early 2002. This was a major turning point, not just for Equity Building Society, but for the Kenyan financial sector as more and more financial institutions moved to this model.

So, if these examples of understanding customers are so evident, why is it important to restate the importance of understanding customers?

- Many financial service providers continue to under invest in the product development process, starting with understanding their customers. This contributes directly to less successful products and services, and by extension lower profits.
- Fintech based products and services are changing the nature of financial service provision, along more narrowly defined use cases, which are often embedded in lifestyle applications.
- The pace of evolution in the financial sector has increased exponentially after the digital and fintech revolutions. As a result, remaining competitive is a continuous process which requires ongoing investment.
- The ability of financial institutions and fintechs to integrate into client business or agricultural value chains has significantly increased as these value chains themselves digitise.

- Branding differentiators have changed. Traditional brand differentiators, speed and accessibility have now become hygiene factors. Today's brand differentiator has become relevance.
- Our tools for understanding customers have deepened, qualitative data can be complemented by big data sets, and greater access to specific customer information.

First Principles Consulting can help build your capacity to understand your customers, through consultants certified in market research, through building your own internal capacity to understand customers, and through building your ability to develop award winning financial services.

If this reflection speaks to you... speak to me so that we can inspire change, together.

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